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AUTHOR	Ashmore, M. Catherine; Pritz, Sandra G.
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ABSTRACT

This individualized, competency-based unit on promoting business, the 13th of 18 modules, is on the third level of the revised Program for Acquiring Competence in Entrepreneurship (PACE). Intended for the advanced secondary and postsecondary levels and for adults wanting training or retraining, this unit, together with the other materials at this level, emphasizes the actual application of a business plan. Five competencies are dealt with in this instructional unit, including (1) creating a long-term promotional plan, (2) describing the techniques used to prepare advertising and promotion, (3) analyzing competitive promotional activities, (4) evaluating promotional effectiveness, and (5) planning a community relations program. Materials provided include objectives, preparation information, an overview, content (with questions in margins that guide the students' reading), activities, assessment forms, and notes and sources. The unit requires using approximately 3 hours of class time. (YLB)

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PACE
REVISED
Program for Acquiring Competence in Entrepreneurship

UNIT 13

☐ Level 1
☐ Level 2
☑ Level 3

Promoting the Business

Developed by M. Catherine Ashmore and Sandra G. Pritz

- **Create a long-term promotional plan.**
- **Describe the techniques used to prepare advertising and promotion.**
- **Analyze competitive promotional activities.**
- **Evaluate promotional effectiveness.**
- **Plan a community relations program,**

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Research & Development Series No. 240 CB 13

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.
2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.
3. These objectives were met at Levels 1 and 2:

   Level 1 -

   - Define the concept of promotion
   - Compare the major methods of promotion used by small businesses
   - Describe the relationship between promotion and other business decisions
   - List the decisions that must be made when completing a promotional plan
   - Justify the importance of a public relations program for a small business

   Level 2 -

   - Develop promotional skill
   - Describe advertising and sales promotion techniques
   - Identify cost factors in the selection of alternative promotional methods
   - Identify sources of promotional assistance and information
   - Identify the objectives of a public relations program

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

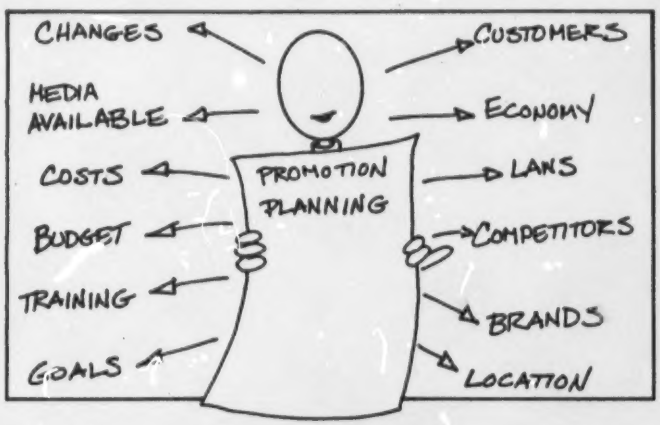
   advertising specialties
   broadcast media
   commercials
   company publications
   copy
   direct mail
   headline
   logo
   market
   print media
   promotional plan

PROMOTING THE BUSINESS

WHAT IS THIS UNIT ABOUT?

An experienced businessperson once said, "I know that half of my promotional dollars are wasted. I'm just not sure of which half." That statement illustrates one of the major problems associated with promotional planning. Because the direct and immediate results of promotion are difficult to identify, businesspeople may face problems in developing promotional budgets and selecting promotional activities. The often "intangible" nature of promotions sometimes requires you to have confidence in decisions and stay with them even though immediate results are not seen.

Promotion is used to project an image of a business to prospective customers and to provide information that helps customers make buying decisions. Consumers often take a great deal of time in gathering information before they make the decision to buy regularly from a business. If they can't get the necessary information or if they get information that is contradictory, they are not likely to make that commitment.



WHY IS A LONG-TERM PROMOTIONAL PLAN IMPORTANT?

Gerry and Shane liked to eat dinner at local restaurants two or three times a month. While they would go to several restaurants, their favorite was the Grande Junction. It was a small restaurant that featured a changing menu and a good wine list. In addition to the menu, Gerry and Shane like the high level of service and the rather formal atmosphere. Even though prices were higher than other businesses, the couple would dine at the Grande Junction at least once a month.

The management of the Grande Junction became concerned when two new restaurants prepared to open in the city. Because they were afraid the competition would take away some of their business they planned a new strategy. They decided to run twice as many advertisements and to try to attract more families in order to increase the sales per table. Because they also decided to reduce prices for two months as a special incentive, they included ten percent discount coupons in the ads.

Gerry and Shane were a bit concerned when they saw the promotion. They were afraid too many people would start coming to their favorite restaurant. Families might change the atmosphere, and the lower prices might mean a change in the menu or lower quality service. They decided, however, to continue going to the restaurant.

After one month the restaurant management decided they couldn't continue the discounts because of falling profits. They dropped the discounts but continued the advertising because it appeared that new customers were coming as a result of the ads. Shortly afterward, new customers who had used the coupons stopped coming to the restaurant. Gerry and Shane were even more confused by the new pricing policy and started to go to other restaurants more often.

Sometimes it may be hard to believe that a small change in promotion can have a great effect on the success of a business. If a company makes a poor promotional decision but readjusts it quickly, it will probably have little negative effect. As you can see from the Grande Junction example, however, some promotion decisions can easily create long-term problems. In addition, a business that makes promotional changes to solve short-term problems often continues to use promotion in the same way—that is, to solve short-term problems only.

A business needs to avoid the problems that might be created when promotion is not carefully planned. As with other marketing decisions, advertising should be planned for a long period of time—six months to one year—even though it is often tempting to use promotion to solve short-term problems. While there needs to be some flexibility in all marketing decisions, one element should not be changed without considering the impact of this element on all other elements.

HOW ARE PROMOTIONAL BUDGETS DEVELOPED?

Promotional budgets can be developed in one of two ways. Many businesses determine a maximum amount that can be spent on promotion at the same time they are developing other parts of the

budget. It is difficult to determine the correct amount for a budget in this way. Experienced businesses can look at past budgets to help set current amounts. Of course it will have to be adjusted if major changes are made in marketing strategy. New businesses should seek help in setting the first year's promotional budget. Several business publications and professional organizations publish average budget figures for many industries. Although industry averages should be treated carefully, they can provide a reasonable basis for planning.

A second way of budgeting is to plan the specific promotional activities first. After the company has decided what activities are needed for a given time period, it will be much easier to total the costs necessary to complete the planned activities. If at the end of this process it appears that the budget is too high, it may be possible to find less expensive ways to complete some activities. If that is not possible, the activities will need to be evaluated to determine which can be delayed or eliminated.

WHY SHOULD YOU PLAN A PROMOTIONAL PROGRAM?

Before you think about developing a promotional plan, however, you must first understand the value of a promotional plan. How do you feel about promotion? Is it an investment, or just an expense? Can it be used to build your company? If your business is already established, you may have already formed opinions on the following questions. If you are just thinking about opening a business, you probably don't have any idea about the answers to the questions. But no matter what your situation, think about the following factors *before* you make any decisions on advertising. Write your answers (or thoughts) on a separate piece of paper so that you can begin building your business' promotional philosophy.

- Has your business been growing each year?
- Can you predict, with reasonable accuracy, what next year's sales and profits plan will be?
- Are you aware that promotion includes the coordination of all advertising and selling functions (such as window and in-store displays?
- Do you set aside time each month to make promotional plans?
- Do you have figures on how much you invested in promotion during each month of the previous year?
- If you answered yes to the previous question, do you have any figures that indicate how well your promotion achieved its objectives?
- Does your promotion focus on the business image as well as specific products and services?
- Do you know the amount of sales that other businesses like yours invest in promotion?

- Do you know how to prepare an effective promotion and to check on the results it brings?

If you answered "yes" to less than four questions, you're not aware of the fact that a well-planned promotion program can help you improve your business.

If you checked between four and eight "yes" answers, you probably have a good idea of the value of promotion. Even so, you may want to check your current program against the planning steps that will be presented in this PACE unit.

Before you think about designing or implementing a promotional program, however, you must first understand the value of the promotional plan to the small business. Take a look at your knowledge of promotion by answering the following questions.

WHAT ARE THE STEPS IN DEVELOPING A LONG-TERM PROMOTIONAL PLAN?

The promotional plan is based on the answers to these five questions:

1. To whom do we need to communicate?
2. What information do consumers need to make a good decision?
3. What method(s) will be most effective?
4. What media should be used?
5. How much money is needed for effective promotion?

The following outline suggests the steps in developing a long-term promotional plan. It begins with the broad marketing strategy and ends with a promotional calendar and a detailed budget. Information should be gathered for each of the items listed. You may need help in gathering information for some of these steps.

PROMOTION PLANNING OUTLINE

Step I. **Market Characteristics**
- A. Describe current customers
- B. Describe prospective customers

Step II. **Environmental Factors Affecting Promotion**
- A. Laws
- B. Economy
- C. Consumer perceptions of promotion (like and dislikes)
- D. Technology (production processes, cable TV, and so on)

Step III. **Competitors**
- A. Names, locations, marketing mixes
- B. Strengths and weaknesses

Step IV. **Business Description**
- A. Owner's goals
- B. Marketing mix (product, price, place, promotion)
- C. Business strengths and weakensses
- D. Anticipated changes
- E. Marketing goals

Step V. **Promotional Planning Factors**
- A. Unique customer groups
  1. information levels and needs
  2. information sources used
  3. buyer behavior
- B. Competitors' promotional behavior
  1. product information provided
  2. brand information provided
  3. emotional/rational appeals
  4. methods/media used
- C. Methods/media available
  1. strengths/weakensses of each
  2. costs to use
  3. experience and skill in using each method/medium
- D. Estimated budget available

Step VI. **Promotional Objectives**

Step VII. **Information to be Communicated**

Step VIII. **Methods to be Used** (selling, advertising, sales promotion, publicity)
- A. Objectives for each method
- B. How method will be used
- C. Customer group to be contacted
- D. Relationships among methods

Step IX. **Media to be Used**
- A. How each medium is to be used
- B. When each medium is to be used
- C. Relationship among media

Step X. **Preparation Requirements**
- A. Time required for preparation
- B. Cost of preparation
- C. Who will prepare the promotion
- D. Training requirements (selling, display, etc.)

Step XI. **Promotional Schedule** (calendar of activities)
- A. Planning
- B. Implementation
- C. Relationships among method and media schedules

Step XII. **Final Promotional Budget**

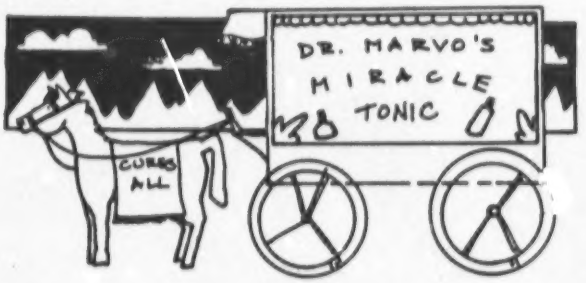
Step XIII. **Methods of Evaluating Promotional Activities**

The outline may suggest that promotional planning is a very complex process. For a highly competitive business or a business that has several unique customer groups, a changing marketing mix, or uses several methods and media, it *can* be complicated. It can also require a great deal of planning time. For other businesses, it is not that difficult. Experience in promotional planning will make the task much easier. Steps I through V in the outline are actually completed in the Marketing Plan. They simply need to be reviewed at this time. If the remaining steps are too time consuming or complex, the business owner may want to use an advertising agency or other promotional expert.

HOW DO YOU DEVELOP A MARKET PROFILE?

Now that you're aware of the steps involved in a long-term promotional program, examine your market profile. A market profile will help you decide *who you are* (in terms of your company's

products and services), and *who your public is* (in terms of customers). The following profile "checklist" will help you identify where you stand in the world of buyers and sellers.



How Do I Compare with Competitors?

Am I priced competitively? Or do I stress quality and service? How do my product lines compare to those of my competitors?

What Selling Techniques Do I Use?

Are my employees trained to sell related items? To sell higher-profit lines? Or are they just friendly clerks?

What Customer Services Do I Feature?

Do I extend credit? Do I deliver? Do I offer a money-back guarantee or item substitution? Do I repair merchandise? Do I stay open nights? Do I offer adequate parking?

Am I Accessible to the Public?

Am I located on a busy street with lots of traffic? Or do I have to *pull* people to an out-of-the-way location? Am I long-in-business and well-known? Are there many people who still don't know me?

Who Makes Up My Market?

Do I sell to men? Women? Teenagers? Tots? Do they have unique tastes? Are my customers' incomes high, low, or average? Are more young families with more children moving into my neighborhood? Do they all live near the store? Within a one-mile radius? Do they come from all over the city?

Why Do People Buy from Me?

Do I know why my *best* customers continue to buy from me? Have I asked them why? Do they like me for reasons that could be featured in my promotion?

Why Don't People Buy from Me?

Do I know why people have stopped buying from me? Have I ever asked customers who *stopped* why they quit shopping at my

store? Do I take an objective look at my windows, my displays, counters, lighting? Is the store clean? Are the employees courteous and well informed?

HOW IS A PROMOTIONAL PLAN DEVELOPED?

Now that you know what your products are, who your customers are, and where they're located, it's time to begin thinking specifically about promotion. Before you actually begin advertising, you must take the time to create a promotional plan.

The only way you'll be able to take full advantage of every selling opportunity is by planning your strategies in advance. Advance planning will help you keep track of where you're going and which promotional tools you should use. For those of you who are already in business, start your promotional planning by looking at last year's sales activities. Write each month's sales down. Then figure what has happened each month. If you're not already in business, project what your monthly sales activity might be based on the product you want to produce and the market that might exist for it.

With this information, decide what your sales goals for this year should be. Also be sure to make adjustments for any factors that have changed during the past year. Some of these factors might include—

- changes in the size of your customer population;
- changes in your customers' incomes;
- changes in your customers' employment;
- new or expanded departments in your store;
- changes in prices;
- the amount of stock you have on hand;
- what competitors are doing;

HOW MUCH WILL YOU SPEND ON PROMOTIONAL ACTIVITIES?

Your next step is to decide how much you want to invest in promotion. Your goal is to match promotion with sales opportunities.

Use the following "profit pointers" to check the feasibility of your planned budget. Remember that—

- Stores in less favorable locations usually need more promotion
- Stores that are new or expanding also need more promotion
- Strong competition raises the size of the budget needed
- Special dates and events offer additional promotional opportunities

WHEN SHOULD YOU USE PROMOTIONS?

In deciding when to emphasize promotion, look at your monthly sales records first. Determine when promotional help will be needed to attract customers. Schedule some promotions to correspond with these times. Write these figures down in a clear, easy to read style.

Be sure to keep all your figures and estimates in a safe place. If you do, you can go back to them each year to compare sales and advertising results and to see if your planning and strategies were

correct. If they weren't, your figures will help you see where there's room for improvement.

HOW DO YOU DECIDE WHAT TO PROMOTE?

One way of planning your promotions for each month is to distribute your dollars according to the importance of a product or department. To do this, you'll first have to determine the relative importance of each product or department. Then you can assign the number of promotional dollars accordingly.

Using this type of planning is one good way to develop your promotional budget. You can vary your budget according to things such as—

- departments (or products) that are the present month's "heavy traffic pullers";
- departments (or products) where clearance is needed because the buying season for this particular merchandise is nearly over;
- "sleeper" departments or products that are expected to sell well, but do not show this performance in last month's or last year's figures;
- new or expanded departments (or products) that need additional promotion.

Some business owners use a day-to-day calendar to jot down facts about business operations on each day, the daily sales, and the weather conditions or other factors that could influence the performance of promotion.

Using a day-to-day plan, allows you to schedule any special promotions that you might want to take advantage of –

- payroll days of important firms,
- days of the week in which traffic is heaviest,
- night openings,
- national and local events offering tie-in possibilities,
- new merchandise or expanded departments,
- price changes and,
- your stock on hand.

WHAT TECHNIQUES SHOULD BE USED TO PREPARE ADVERTISING?

The increasing complexity of the small business world—rapid growth, diversity of competition, changing customer shopping habits, and the continuing squeeze on profits—has made it vitally important that businesses get as much value as they can from their advertising investments. In the previous sections, you have developed a good

background for getting this value by establishing strong marketing and promotional plans. Planning sales activities is discussed in another PACE unit. The following sections will give you ideas on how to improve your advertising efforts by learning how to develop effective advertisements for print or broadcast media. In most cases you should try to get professional assistance in developing advertisements.

MON.	TUES.	WED.	THURS.	FRI.	SAT.	SUN.

Figure 1. Planning Calendar

WHAT ARE SOME GENERAL GUIDELINES FOR PREPARING ADVERTISING COPY?

If you decide to write your own advertising copy, the first thing to remember is that *writing good ad copy is not easy.* Even if you have had specific training in communications or journalism, you're probably going to feel angry and frustrated at one point or another. But don't let these feelings slow you down. *Write what customers need to know.* Write the ad in terms and words that you understand. Don't try to be technical or sophisticated. You want the ad to be clear and easy for your customer to read.

Remember—good writing doesn't have to be taught. It can be developed by experience. Practice your writing whenever you can. Use the following guidelines when writing any kind of advertisement.

HOW ARE ADVERTISEMENTS PREPARED FOR PRINT MEDIA?

A written advertisement involves preparing four major elements: the headline, illustrations, the copy or "informational content" of the ad, and the logotype.

The *headline* must attract attention, arouse interest, and motivate the reader to read the copy. It must be directed right at the reader. The more effective headlines usually ask a question, state a major selling point, or make a suggestion or statement about the major benefit of the product. They are short, simple, and direct.

The old adage "a picture is worth a thousand words" is true of an *illustration* that appeals to your customers. An attention getting illustration that relates to the product and customer needs will sell goods faster. People are often more impressed by what they see than by what they read. Sometimes the illustration is used to direct the reader's eye to a particular point.

Writing *copy* is a true art. Copy should be written in language that is readily understood. The reader must feel the advertisement is speaking directly to him or her. The copy should contain the pertinent facts regarding the product, such as the benefits, sizes, styles, price, and the information that will help the customer make a decision to buy.

The *logotype* is the identifying mark of the business. It can be an emblem, a trademark, initials, or symbol. It should make the customer recognize which business is doing the advertising. It should be used consistently in advertisements so that it will be remembered.

HOW ARE ADVERTISEMENTS PREPARED FOR RADIO?

If you decide to use radio advertising, the station's advertising staff will probably write the ad or "spot" for you. When evaluating the effectiveness of their work, use the following guidelines.

- Were the words used selected for their sound value?
- Are statements as simple and short as possible?
- Is sincerity evident in the selling message?
- Is the copy fast-moving, friendly, enthusiastic, and convincing?
- Is repetition used but not overused?
- Did you say just enough to make your message effective?
- Does your spot talk to your customer in a sincere way? Remember this is a personal conversation—be friendly, not irritating.
- Does it tell a complete story?
- Does it emphasize important features and benefits?

HOW ARE OUTDOOR ADVERTISEMENTS DEVELOPED?

In evaluating copy for an outdoor ad, follow many of the same rules you did for the print and broadcast media. Keep your message simple, personal, and sincere. But don't forget that you need to pay attention to some of the special features of outdoor advertising:

- The ad copy must be bold, simple, expressive, and suggest action.
- A message is being flashed to a mind; it must be memorable.

- Eliminate details. Give just one or two.
- Give your strengths great prominence.
- Use color and illustrations for high attention and interest.

HOW ARE DIRECT MAIL ADS PREPARED?

As you may already know, the types of direct mail advertising available to the small business owner vary from a hand-written postcard to a 1,000 page catalog. But no matter what form of direct mail you choose, you should be sure that the material—

- attracts attention in an inoffensive way
- is easy to understand;
- conveys important ideas immediately,
- requires action by the customers, but action that they can easily take;
- has an attractive style and format.

You'll also have to be careful in designing or buying a mailing list for your direct mail ads. Remember that on the average, one out of five families moves each year. Be sure that the people you send your materials to are potential customers. Also be sure that your list is accurate, complete, and up to date.

HOW DOES COMPETITION AFFECT THE PROMOTIONAL PLAN?

Because you have taken the time to develop a good promotional plan, your business will be prepared to make the best use of its promotional budget. And because you have been careful in making this plan, it's probably not a good idea to change it unless major problems occur. In order to make sure your promotional plan is correct and operating as scheduled, you should evaluate it frequently.

Every business should watch its competitors' promotional activities. Studying this information can help you understand not only your competitors' weaknesses or strengths, but also your own weaknesses and strengths.

One way to study your competitors' promotional activities is to collect copies of their advertisements and publicity releases. You should also identify and evaluate their public relations activities. But be careful how you use this information. It is easy to overreact to changes in your competitors' promotional activities. Remember that a change in promotion *by itself* will probably not have a big effect on competition in the long run. But if a competitor begins making changes in his or her marketing mix, or if the promotion is directed at a strong point of *your* business, watch the change carefully and be prepared to develop counter promotion or other marketing strategies.

HOW EFFECTIVE IS THE PROMOTION?

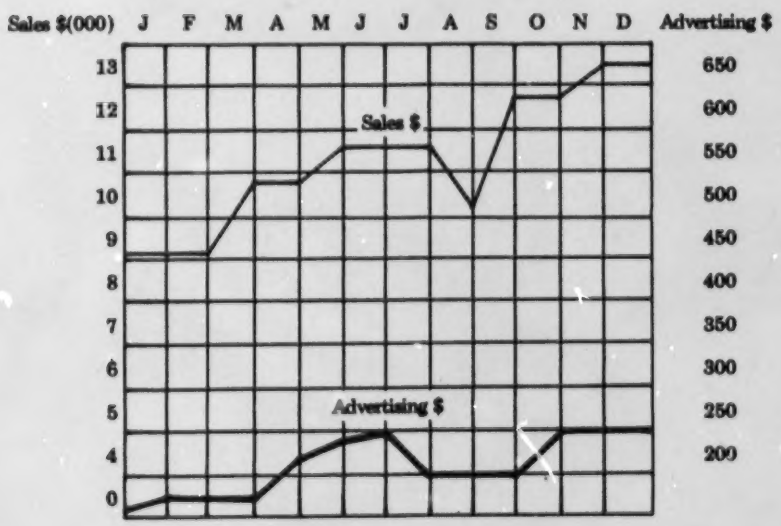
In addition to watching competitor's promotions, as mentioned earlier, you'll need to evaluate the promotional activities of your own business. If your promotional objectives are written in specific terms

it won't be difficult to evaluate them. For example, if an objective of a promotional activity is to increase the number of customers coming into the business, a count of customers will indicate its success. Another objective may be to have prospective customers understand the three major advantages of a certain brand of product. A survey of customers (formal or informal) can help to evaluate the objective.

Some businesses use changes in sales to evaluate promotion. Use this information carefully. Changes in sales (either increases or decreases) may result from many things in addition to promotion.

The following graph of percentages of expenditures on advertising shows an evaluation of advertising matched to monthly sales. By reviewing actual sales each month, you'll be able to evaluate the effect of uneven advertising expenditures on customer purchases from your business. Remember, however, that other factors usually affect these sales.

THE FUTURE CORPORATION
Graph of Sales and Advertising



HOW CAN ADVERTISING BE EVALUATED?

In evaluating your promotional program, it's a good idea to look not only at the entire program, but also the separate components of the program. One of the "separate components" of your promotional plan is your advertising.

A sample evaluation form for a retail store follows:

COPY AND LAYOUT CHECK LIST

____ Easily Recognizable Style

____ Simple Layout

____ Price or Price Range (if a marketing strength)

____ Branded Merchandise

____ Related Items

____ Urge to Act Now

____ Store Address, Telephone

____ Store Hours

____ Factual, Straightforward

____ Everyday Language

____ Specific, Not Generalized

____ No Excessive Claims

Here are the specifics for evaluating print ads.

Check your headline. Make sure it gets the reader's attention. Make sure it is short, easy to read, and well worded. Make sure it will arouse your readers' interest, stimulate their imagination, and promote action.

Check your illustration. One of the jobs of the illustration is to simplify the copy. Pictures make the ad more understandable, easier to grasp. This is one of the best ways to arouse interest.

Check your copy. Is it true? In order to establish confidence (a prerequisite to buying), the facts must sound true. Most readers have had so many "superlatives" thrown at them in current advertising that skepticism dominates their thoughts. It is up to your copy to subtly reassure them that they are getting the truth and nothing but the truth. Whatever you do, your message must sound credible to them if you expect to sell them.

In evaluating broadcast promotion, you should be sure that—

- words are selected for sound value;
- statements are simple;
- sincerity is evident;
- copy is fast moving;
- repetition is used;
- message is presented effectively;
- message is personal for the listener but not irritating;
- announcer or cast shows enthusiasm;

- message is truthful;
- copy tells a complete story;
- the copy answers the customer's questions.

You can check broadcast media—radio and TV—by directing customer action. Suppose, for example, that you advertise an item at 20 percent reduction. Your radio or TV ad might say something like this. "Come in and tell us you want this product at 20 percent off."

You can compare these responses with results from your "20 percent off" newspaper ad. Require the customer to bring in the newspaper ad—or a coupon from it.

Some of the ways to vary the copy are: a combination of brand names with a word or some words indicating the product type; picture variations; size variations; and color variations. You might use the last three to check your printed ads against each other as well as against your radio and TV ads.

In evaluating your direct mail advertising, you should check for the following:

- Are your materials simple to understand?
- Do they convey major ideas?
- Is the format attractive?
- Is the material personalized?
- Does the material require the customer to take action?
- Does the material tell the complete story of your product?

Also, be sure to check the effectiveness of your mailing lists. Are the people included on these lists potential customers? Are the addresses complete, accurate, and up to date? Are you timing your mailings for the best results possible? If you forget to pay attention to such details, you're probably going to have a lot of "waste" circulation.

Tests for immediate response ads. In weighing the results of your *immediate* response advertisements, the following devices should be helpful:

Count coupons brought in. Usually these coupons represent sales of the product. When the coupons represent requests for additional information or contact with a salesperson, were enough leads obtained to pay for the ad? If the coupon is dated, you can determine the number of returns for the first, second, and third weeks.

Evaluate requests by phone or letter referring to the ad. A "hidden offer" can cause people to call or write. Include—for example, in the middle of a paragraph—a statement that on request

the product or additional information will be supplied. Results will be checked over a one-week through six-months or twelve-months period, because this type of ad may have considerable carry-over effect.

Monitor split runs by newspapers. Prepare two ads (different in some way you would like to test) and run them on the same day. Identify the ads—in the message or with a coded coupon—so you can tell them apart. Ask customers to bring in the ad or coupon. When you place the ad, ask the newspaper to give you a split run—that is: to print "ad A" in part of its press run and "ad B" in the rest of the run. Count the responses to each ad.

Determine sales made of particular items. If the ad is promoting a bargain or limited-time offer, you can consider that sales at the end of one week, two weeks, three weeks, and four weeks came from the ad. You need to make a judgment as to how many sales came from normal display and personal selling activities.

Check store traffic. An important function of advertising is to build store traffic which results in purchases of items that are not advertised. Pilot studies show, for example, that many customers who were brought to the store by an ad for a blouse also bought a handbag. Some bought the bag in addition to the blouse, others instead of the blouse.

You may be able to ask a local college or high school marketing and distributive education class to check store traffic. Class members could interview customers as they leave the store to determine: (1) which advertised items they bought, (2) what other items they bought, and (3) what they shopped for but did not buy.

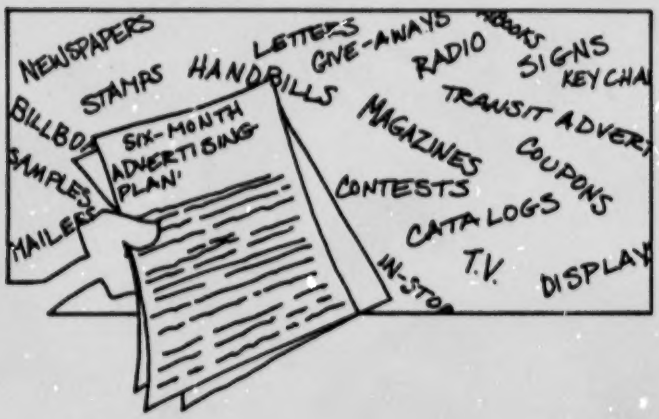
HOW SHOULD PROMOTIONAL BUDGETS BE EVALUATED?

Be sure to evaluate what your promotional budget *costs* as well as what it contains. You may need to adjust your activities if their cost is running higher than originally anticipated.

For example, if the Fortune Corporation continues to spend money on advertising when sales are not as high as expected, they will have to reduce their expenditures or face a decrease in profits. If this appears to be only a short-term problem, they probably shouldn't change their overall promotion plan. If they begin experiencing a major problem with sales at a time when heavy advertising expenses are planned, however, they should probably revise their overall promotion and marketing strategies.

Also be sure to check the media schedule for your advertising. Are the advertisements correct and running at the time they were scheduled? If not, you may lose money on the ads. Be sure that any errors are corrected immediately by the media source.

Remember to evaluate all parts of the promotional plan. Advertising should be working along with personal selling, sales promotion, and publicity. Some of the same suggestions given for evaluating advertising can also be used to evaluate other promotional activities.



CAN SHORT-TERM PROBLEMS BE SOLVED BY PROMOTION?

At some time, all businesses will have problems with their marketing plans. If the problems are major, the business will need to decide if changes are needed in the entire marketing mix or in other parts of the business. When small problems are identified, it is tempting to try to solve those problems with promotion.

Remember that promotion is used to provide information. If the problem is caused by lack of information or misinformation, promotion is the correct tool to solve the problem. If the problem results from some other factor than information, it is not likely that promotion alone will solve the problem.

Each promotional method has particular strengths to solve problems. Sales promotion activities can give special incentives to people if they are not responding the way a business had planned. Publicity and public relations can improve the image of a firm, but are usually not very effective in the short run. Advertising can deliver information to large numbers of people in a short time if people pay attention to the ads. Personal selling can be used to provide more specific information and respond to individual customer's problems better than other methods.

Promotion is an important tool for every business. It will be most effective when a businessperson understands its purpose and value in marketing and carefully plans for its use. On the other hand, money can be wasted on promotion if its value is overestimated or if it is not used to support other marketing activities.

WHAT IS PUBLIC RELATIONS?

The final part of effective promotion is a long-term public relations plan. Public relations includes planning, conducting opinion research, establishing policies and objectives, preparing communication media, and evaluating the community relations program. You may have to adapt these activities for your particular entrepreneurial needs. Regardless of whether your public relations program is sophisticated or informal, you must include all these tasks—they are the integral parts of any good public relations program. The program would not be complete if even one was left out.

You might want to consider coordinating or assigning the responsibility for doing various tasks to your staff. You should closely analyze each person's strengths so you can delegate the responsibility to the person who might be most successful at performing the job.

Should you believe that neither you nor any of your employees has the expertise to perform these tasks, you may want to consider obtaining outside assistance. There are many consulting firms that specialize in public relations work. They can promote your firm's image, develop the strategies necessary to perform the tasks of public relations, and even handle any press conferences, newpaper announcements, or other media assistance that you may want. The fees charged by these firms are usually high. However, the results might well justify the expense.

Good public relations requires a great deal of the entrepreneur's time and will probably cost money. As a beginning entrepreneur, you may not be as concerned with public relations as you are with finding the right suppliers. You have so much to do in opening your business that developing a community relations plan seems to be a task that can wait.

Unfortunately, many new businesses get a public image without taking time to establish carefully defined and organized goals for the firm's public relations activities. When goals are not established, the public image that develops is often not what the entrepreneur had in mind for the firm. Your firm will establish an image in the community whether or not you develop a public relations program. Therefore, developing a public relations program that is well defined is imperative if your firm is to have the public image you want.

WHAT KINDS OF INFORMATION SHOULD THE COMMUNITY BE GIVEN ABOUT THE FIRM?

Most of the contributions a company makes to a community are economic in nature. They may include improvement of the town's appearance, aid to education, cultural leadership, aid to agriculture and local industry, promotion of community health, assistance to sports and recreational programs, promotion of the community's attractions and resources, help to the youth of the community, jobs for the unemployed, and aid to private and governmental community agencies. Citizens also need to know about these common contributions. Other important information you need to provide includes:

- How many men and women are employed by the firm?
- What are the earnings and benefits of the employees?
- What annual payroll is invested in the community by employees?
- What investment has been made in local property and what improvements have been made?
- What kind of and how many products are produced or services performed?

- What kinds and amount of taxes are paid to the community?

Every business should keep the community informed about its activities as well as about the contributions it makes to the community's welfare. These contributions should be clearly understood by the citizens.

WHAT ARE THE STEPS IN PLANNING A PUBLIC RELATIONS PROGRAM?

There will always be informal public relations going on among employees and the community. Such informal public relations are good only if they are positive. However, there are formal steps that can be taken in planning a public relations program. A formal public relations program brings all phases of community relations together to achieve the goals and objectives developed.

This systematic approach is the best way to assure that the outcomes expected from the public relations program are achieved.

The first step in planning a public relations program is the careful and thorough study of the community. An understanding of the social, economic, and political conditions that determine the climate in which the business operates is essential. This study may be done informally by listening to comments at a service club meeting or formally by an agency you hire to provide such information.

The second step is to look at your firm with the intention of insuring that your policies and practices will be favorably received by the community. You should pay particular attention to personnel policies and practices that affect employee attitudes and job satisfaction. Employees share both good and ill feelings about their job and the firm with neighbors.

The third step is to determine long-range and short-range objectives for the public relations program. After both long-and short-range objectives are identified, the firm's operating policy for public relations can be developed. No matter how limited in scope the operating policy is, it can help both the community and your employees solve specific problems rather than merely communicate only general information about the enterprise.

The fourth step involves selecting the proper methods of communicating the company's aims, objectives, and problems to employees and the community. The activities designed to accomplish the objectives must be closely related to each objective. Different objectives require different implementation strategies.

The fifth step is to gain from your employees a commitment of cooperation and support in carrying out the public relations program. This step is only effective if relations with employees are positive.

The sixth step is to evaluate the effectiveness of the program. An opinion survey of the community might be conducted. A public relations program can also be evaluated in terms of the records you keep. Your records are measuring devices that can tell you if your operation is making a profit or operating at a loss. The quality and

effectiveness of your public relations program is reflected in large part through your business records.

HOW ARE PUBLIC RELATIONS PROGRAMS COMMUNICATED TO THE PUBLIC?

A public relations program depends on media to communicate its messages and desired images to the public. There are a variety of media available to communicate your firm's public relations messages. Before deciding if one medium is superior to another, however, you must analyze it in terms of the objectives you wish to achieve. You must carefully weigh and compare the advantages and costs of using each medium.

The media most frequently used are—

- press publicity (print, television, radio);
- company publications (including annual reports, booklets, and brochures);
- grand openings, open houses, and plant tours;
- public speaking by executives;
- visits to community institutions;
- community meetings and organizations;
- employee contacts;
- audiovisual presentations;
- exhibits and displays;
- reports, surveys, polls, statistics;
- testimonials;
- community events and parades;
- success stories;
- word-of-mouth promotion.

Company publications. You may wish to prepare extra copies of all business publications prepared about your firm to mail to selected public officials, teachers, merchants, bankers, and other leaders within the community. For example, if you start a company newsletter, it may be profitable to make sure that community leaders and other businesses receive a copy in addition to employees.

You may decide to print a brochure to acquaint and educate the community about your firm. Or you may support the printing costs for a community publication such as a United Way brochure.

Sections of annual reports may appear in the local newspaper or they may be mailed to community leaders and given to visitors. More and

more companies are using the annual report as a primary public relations medium.

Booklets and folders describing the firm and its products and services may be distributed to visitors. They may also be used as part of a company display and as training materials for new employees.

Grand openings, open houses, and plant tours. As soon as it is possible for you to have a grand opening of your business, you should do so. A grand opening lends a festive note to your new venture. Grand opening gifts or discounts give you a chance to show your goodwill to the community and to build up a clientele.

Open houses can be used by all types of businesses. The public should be encouraged to come to an open house; they are understandably curious about the new business in the community. The open house gives them the opportunity to see and hear about it firsthand. An open house has several advantages:

- It establishes a company as a good place to work and shows that the company is interested in the welfare of its workers.
- It can correct misconceptions and give people accurate impressions.
- Information secured during an open house is retained for a long time.
- The open house is a rapid means of building better community understanding.
- The friendliness and neighborliness of an open house gives a company a "heart."
- Employee interest is stimulated by giving them an opportunity to show their families and neighbors where and how they work.
- It creates interest among prospective employees.
- It can stimulate the sale of goods:

Plant tours are an especially effective community relations tool for manufacturing concerns. People like to see how things are made and to watch machines in operation. Plant tours have many of the same advantages as open houses. They can be conducted at any time or upon the request of local organizations, such as civic or educational groups.

Public speaking by executives. A business can make personal contact in the community by furnishing speakers for local service group, school, and professional society programs. Service clubs seek speakers for monthly or weekly programs. You might want to begin your speech with information about your business, for these organizations share the outcomes of their meetings with other community members.

Community meetings. Community members should be invited to meetings that promote better understanding of company policies and operations. You may wish to designate special days such as "Agriculture Day," "Industry Day," or "Business Education Day," for meetings with certain professions or groups.

Employee contacts. Encouraging employees to get involved in civic activities fosters good community relations. Employees will tell their neighbors, friends, and relatives about their employer who encouraged them to become involved in civic, educational, professional, or other organizations.

Audiovisual presentations. Your resources may be limited as a beginning entrepreneur, but you may still want to consider making a slide and tape presentation to describe your business. This presentation could be shown at civic organization programs and to suppliers. It could also be used as training material for new employees. Be sure to have a slide and tape presentation developed by a professional. A "homemade" presentation could give the wrong image about your firm.

Exhibits and displays. Exhibits and displays that describe your firm and its role in the community may be set up at the county fair, school career awareness days, or at the local airport.

Reports, surveys, polls, and statistics. Whatever your business, there is a statistic or a survey that covers it. The government publishes a battery of statistics about every conceivable subject.

People never tire of reading polls and surveys about everything under the sun. It matters not if the poll is big or little, trivial or significant. Many business owners take their own polls. One livestock feed retailer was able to successfully predict Truman's election in 1948 by taking his own poll. He made the prediction on the number of bags of feed he sold with a Democratic or Republican symbol. His own poll turned out to be correct when all the others were wrong, and it got him nationwide publicity—the kind that happens once in a lifetime to a small business.

Suppose you own a small business and give out campaign shopping bags with the names of the two candidates for mayor. You keep count, and ten days before election you make your predictions based on the number of bags people have chosen. If your prediction is wrong, you can always write an analysis of "What went wrong with the results I thought were in the bag."

Testimonials. Testimonials are statements commending something—a service, a product, an action, a person. You can build your own testimonials as many small business owners do. All you need is somebody in your town to agree to the use of their name in your publicity. They don't have to be well known—although that never hurts. It can be several customers—a series run week after week. Many businesses find this a particularly good way to get new customers—the roofing company that gives a special price to a

neighborhood resident in order to use the name to solicit new business; the tree surgeon who gives you a list of customers in your neighborhood. There is no better way to get new business than by pointing to satisfied customers.

Community events, parades. Labor Day, Easter, the Fourth of July, Christmas, St. Patrick's Day, Decoration Day, St. Valentine's Day—there are old and new angles every year. If you look back through a century of newspapers, you wouldn't need the date to tell you the time of the year. These stories are good, standard fare. Next Valentine's Day, try putting up a fifty-foot heart on top of your place of business. Will it work? Certainly it will. Try it and see.

Everybody loves a parade—especially business people whose names float down the street spelled out in rose petals. It's all good clean fun and good business at the same time. Get into the spirit and into the next parade that your town sponsors. Come up with a winner—not a run-of-the-mill entry nobody will remember past the end of the parade.

Mother's Day, Father's Day, Fire Prevention Week, Be Kind to Animals Week, Pickle Week, and Ridiculous Day—use the ones that somebody else made up or create one of your own. Each of these special days, now so familiar, began as a germinating thought in somebody's brain. So germinate your own.

Cornerstone laying for new buildings, unveiling of statues, monuments, tablets—all provide opportunity for the business with a tie-in—building supply retailers, real estate businesses, sculptures, those serving on committees planning events.

Each town or community has its own unique events around which business can build advertising and publicity. It can be something as unusual as the Ramp Festival in West Virginia or as usual as a Chamber of Commerce Picnic in Wyoming. The important thing is for you to link these events to opportunities for advertising and publicity. Be tasteful in your selections and don't turn into a publicity hound, defeating your purpose. Carefully select those events which will be good for you and for the community. Also be careful not to spend more than you can afford in support of these activities. It is easy to get into the habit of contributing to all community activities.

Keep a file of regular community events in which you participate. After a few years you will have built your own anniversary story: "the seventh consecutive year," the "eighth annual event." A file will show you at a glance what worked and what didn't.

Success stories. Nothing succeeds like success. Success is a great subject for advertising and publicity and builds on itself. What does it really mean when McDonald's informs you it has sold a trillion hamburgers and opened a hundred new franchises? It is success that is being publicized.

Get aboard with your success story. Business newspapers love success stories. Your business volume is up, employment is up, expansion is

planned, you're outgrowing your old location, you've had the best Christmas ever, you expect the best summer season.

Word-of-mouth promotion. There's a small counter-type grill in Marathon, Florida that depends upon word-of-mouth advertising except in rare instances. It does a land-office business with people lining up three deep for a turn at the plain counter. What's the appeal? An enormous grouper (fish) sandwich which sells for $1.25 and a steak, grouper, or shrimp dinner, fit for a hungry truck driver, for well under $3.00. The grill has built a brisk business on word-of-mouth tributes and a 99 percent return business. Almost every customer comes back.

This grill, aside from having simple customer traffic needs, is the exception, not the rule. Word-of-mouth promotion is nice—even critical—but you can't count on it to make your business grow. It is unpredictable and unreliable. You need steady, week-by-week recognition to build and stabilize a business.

HOW CAN PROMOTION SUPPORT OTHER MARKETING ACTIVITIES?

Publicity, carefully planned, supports your marketing activities and other types of promotion. Haphazardly used, it can waste your time and money and create a mixed image among your customers. Effective public relations takes planning, skill, and experience, as well as a budget.

The successful entrepreneur will look at promotion as an important tool—no more or less important than other marketing activities. Promotion can communicate with new customers and turn them into long-term satisfied profitable customers.

ACTIVITIES

Do you feel knowledgeable about what it takes to design a long-term promotional plan for your business? Will you be able to put some of these skills into practice? The following activities will help you prepare to develop an effective promotional program for your business.

INDIVIDUAL ACTIVITY Select a business and complete a detailed analysis of all promotional activities that should be conducted during a three-week period. Develop a calendar that lists all activities and changes during that time. After you have completed the calendar, describe the marketing mix of the business as it has been presented through promotion. Attempt to estimate the total cost of promotion for that period.

INDIVIDUAL ACTIVITY For the business you selected in the previous activity, select a product or service that might be sold by this business. Write and design an advertisement for this product or service that could be used (1) in a newspaper, (2) in a radio advertisement, (3) on a bill board, and (4) in a direct mail advertisement. Be sure to sketch out any illustrations you think would be useful in explaining your ad copy. Also list the suggestions you might make concerning such features as the color of the ad, the headline style and size, the "action" wording you might use, or the music you might select. For your direct mail ad, also select an appropriate audience to receive the material.

INDIVIDUAL ACTIVITY Develop a list of methods for evaluating promotional activities. List as many methods as possible. Determine the strengths and weaknesses of each method. You may want to use textbooks and other resources to help you with this activity.

INDIVIDUAL ACTIVITY List five kinds of information that a community should be told about a firm.

INDIVIDUAL ACTIVITY List the six steps involved in planning a public relations program. Describe each step in detail.

INDIVIDUAL ACTIVITY Identify five media that are available to communicate to the public the firm's public relations program. Describe each and rank according to its importance to your firm. Select three of the five media that you believe you would want your firm to use. Why did you select the three you have identified?

INDIVIDUAL ACTIVITY Contact three small business owners in your field of interest. Find out what procedures they use to maintain good public relations in the community. Do the companies have written plans for their public relations programs? Do they use the same procedures? If they do, why? If they don't, why not?

INDIVIDUAL ACTIVITY Interview the owner/manager of a small business whose employees are very active in the community. Ask the person you interview if any special incentive programs are used to motivate the firm's employees to participate in community activities.

GROUP ACTIVITY Divide into groups of three to four students. Assign each person in the group with the responsibility for a certain area of media (such as

newspapers, radio stations, outdoor advertising companies, and so on). Have each person gather information on individuals, organizations, or companies in their area that help small businesses plan promotional activities. Prepare a resource booklet for your class based on the group's information.

GROUP ACTIVITY

Have each person in your group interview several small business owners to determine the type of problems they most often have with promotion. Also ask them to identify the methods they used to plan their promotional activities. Compare your results with those of other people in the group. Are some problems more common than others? Why or why not? Could some of the problems have been avoided through a better promotional plan? Have each member of the class report their results to the class. After the reports are complete, have a class discussion on how good promotional planning can be used to prevent problems.

GROUP ACTIVITY

As a group, prepare a detailed one-year promotional plan for a specific business. The plan should include a promotional calendar, a budget, and evaluation procedures.

CASE STUDY

The home appliance firm of Brownell & Levy has been doing business in the city of Rockland for thirty-five years. Lawrence Brownell and Joseph Levy were successful retail salesmen in an appliance store in the difficult times of the early thirties and decided to strike out for themselves. They chose to start a store in Rockland because there was relatively little competition, and this proved a wise decision. Today, Brownell & Levy is the largest home appliance store in the city, and sales volume has grown over the years.

Rockland has a population of 75,000 (22,500 households) and is the largest city within 160 miles of an urban center with a population of one million. Rockland was formerly the center of a farming area, but today farming is less important to the city's economy.

The firm is now run by two partners, sons of the original owners. Larry Brownell, Jr., concentrates on service activities, and Charlie Levy handles the store, but both are involved in the business decisions. Retail sales are estimated at $750,000 for the current year, off $50,000 from the preceding year. The reason for this decrease is the state of the local economy. There has been a national recession, and all business in Rockland has suffered.

Brownell & Levy carries Maytag washers and dryers; Frigidaire refrigerators, freezers, air conditioners; and Zenith radios, television, and stereos—as well as small appliances made by several leading manufacturers. The store will sell a little over 3,200 major appliances in the current year.

Competition has become severe. The opening in Rockland of a discount house with a large home appliance department two years ago intensified competitive pressures, and there are four other local appliance dealers. Brownell & Levy has done well, however, because it has kept its prices competitive and has built an excellent customer service department. Larry Brownell coined an ad slogan for the store

("When we sell it, we service it") in an effort to compete against the discount house, which does not service the brands it sells, and Brownell & Levy's reputation in the service area is favorably known.

Local advertising media consists of the following:

Newspaper: Rockland Times. Published evenings except Saturday and Sunday. Circulation: City zone - 14,370. Trading zone - 16,572. Rate: 13 cents a line, flat (no volume discounts).

Radio: WBZL, local station. Programming is generally directed to adults. Station estimates 60 percent of households tune in for at least one program daily. One-minute spot announcements cost $15 in the evening hours, $13 all other times.

Shopping Guide: Free local weekly newspaper, limited editorial content. Claims 10,000 circulation, unsubstantiated. Rate: 5 cents a line, flat.

Outdoor posters and painted bulletins: Service available through metropolitan outdoor plant.

TV: No local station. Three stations located in nearby metropolitan area cover Rockland.

Direct mail: At initiative of local merchant.

During the preceding year, when the retail sales volume was $800,000, the advertising budget was $28,000, or 3.5 percent of sales. Larry Brownell and Charlie Levy cut the budget in the current year to 2 percent, or $16,000, because of slower sales. The Frigidaire and Zenith salesmen calling on the store urged the partners not to reduce advertising to this extent, pointing out that on the average of 80 percent of Brownell & Levy's advertising budget was reimbursed by the manufacturers through the co-op programs. Thus the cost to Brownell & Levy was relatively small. It is now December, and a budget for the coming year is being discussed. The manufacturers' salesmen have both stated that in view of improved business (sales are heading up again), the budget should be at least 3.5 percent of sales.

Advertising has been consistently run in the Rockland Times twice a week in one-page, or 1,000-line size. No experiment of schedules in other media has ever been tried. The partners have no knowledge of the demographic characteristics of their customers, nor have they attempted studies of where their sales come from. The partners have also not concerned themselves with the industrial growth rate of their city, the income level of local wage earners, or any other basic research data.

1. If you were developing the advertising program for the coming year, what decisions would you make about the size of the budget and the selection of media?

2. What methods of budget preparation would you use? If other media besides the newspaper are to be used, on what basis would you use them and what percentage of the budget should be allocated to them?

3. Should research be undertaken, and if so, what kind?

4. What would you feature in your ads?

SOURCE: Everhardt, R.M.; Jones, Gerald E.; Kemery, Carl; Ray, J.E.; Talbert, Ed; and D'Ambrosio, Tony. *Small Business Advertising.* Columbus: Ohio Distributive Education Materials Lab, The Ohio State University, 1976.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Describe the relationship between a marketing plan and a promotional plan.

2. List the steps (in correct order) to be completed in developing a promotional plan.

3. Discuss the value of planning promotional activities for a long time period (six months to one year).

4. Describe the components of effective advertisements in the following media:

   - Newspapers
   - Radio
   - Outdoor advertising
   - Direct mail advertising

5. Develop three promotional objectives and describe how each objective would be evaluated.

6. Justify the value of analyzing competitors' promotional activities.

7. For each promotional method (advertising, sales promotion, and public relations), identify the type of short-term problem that could best be solved by that method.

SOURCES USED TO DEVELOP THIS UNIT

Bank of America. *Personnel Guidelines.* Small Business Reporter Series. San Francisco, CA: Bank of America, 1981.

Meyer, H., Kay, E.; and French, J. "Split Roles in Performance Appraisal." *Harvard Business Review* 43, 1965: 123-129.

Rowland, K.M., and Ferris, G.R. *Personnel Management.* Allyn & Bacon, 1982.

U.S. Small Business Administration. *Employee Relations and Personnel Policies.* Business Basics no. 1023. Washington, DC: U.S. Government Printing Office.

U.S. Small Business Administration. *Training and Developing Employees.* Business Basics no. 1022. Washington, DC: U.S. Government Printing Office.

For further information, consult the lists of sources in the *Resource Guide.*

Level 3

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

OSU

The Ohio State University